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SUCCESS STORY

Loans Cultivate Small Business Growth

Initiative paves way for microlending sector to flourish in country



Photo: ACDI/VOCA

Microlending in Kazakhstan has enabled small business owners such as this cheese vendor access credit that traditional banks were reluctant to provide.

Founded with a USAID grant, the Kazakhstan Loan Fund has since become the country's largest microfinance institution, disbursing \$91 million since its inception.

Telling Our Story
U.S. Agency for International Development
Washington, DC 20523-1000
<http://stories.usaid.gov>

After the Soviet Union's collapse, the people of Kazakhstan faced needing to make a fresh start in the new market economy. Many began trading in bazaars and as street vendors to support themselves. As a result, the country developed almost overnight a large informal sector with limited skills, resources, and access to capital.

These informal sector-microentrepreneurs created a growing demand for microfinance support to develop and expand their businesses. However, to the country's banking sector, these entrepreneurs seemed too risky and not profitable.

USAID helped launch a microcredit program in Kazakhstan. Initial work led to new regulations that enabled non-banking financial organizations to provide small working capital loans and the establishment of the country's first non-bank financial institution, the Kazakhstan Community Loan Fund (later renamed the Kazakhstan Loan Fund (KLF)). Until 2001, KLF was the sole microenterprise institution that could legally disburse loans in Kazakhstan. KLF paved the way for other non-governmental organizations to become legal entities and introduced to the country the formerly unknown concept of non-collateralized microlending.

KLF has six branch offices, a \$13 million portfolio with 18,000 active clients, and a less than 0.01 percent delinquency rate. KLF is now the country's largest microfinance institution, having disbursed \$91 million in loans since its inception.

The fund lends largely to informal sector-entrepreneurs who have never borrowed from a bank, and specifically targets female and disadvantaged business owners. In fact, 80% of KLF's active clients are women. KLF's small loans, averaging \$800, provide much needed credit to these microentrepreneurs and help them extend and diversify their operations, resulting in the direct support of over 3,500 jobs. KLF has a new initiative to lend to farmers and other isolated populations, one of its important services to Kazakhstan's rural population.